

CITY COUNCIL, CITY OF LODI  
CITY HALL COUNCIL CHAMBERS  
MARCH 31, 1965

This adjourned regular meeting of the City Council of the City of Lodi was held beginning at 8:05 p.m. of Wednesday, March 31, 1965, in the City Hall Council Chambers.

ROLL CALL Present: Councilmen - CULBERTSON, DOW, KIRSTEN  
WALTON and BROWN

Absent: Councilmen - None

Also present: City Manager Graves, City Attorney Mullen, Administrative Assistant Peterson, and Planning Director Schroeder.

MINUTES On motion of Councilman Kirsten, Walton second, the minutes of March 17, 1965, were approved as written and mailed.

REPORTS OF CITY MANAGER

CAPITAL  
IMPROVEMENT  
PROGRAM

Mr. Graves introduced Mr. Mel Davison and Mr. Carl Kadie of Stone and Youngberg, Financial Consultants. Mr. Davison stated they had been reviewing the financial aspects of the City's Capital Improvement Program, compiling and analyzing data, resulting in a preliminary report which he was submitting at this time. He presented the Council with copies of a series of ten tables covering the program for a five-year period. The report showed that the program exceeds the City's bonding capacity and Mr. Davison recommended that the fire station, fire equipment and recreation facilities not be bonded. The fire station and equipment are a single occurrence and he feels they can be taken care of without bonding. Also, there is some flexibility in the recreation program so that item could be excluded in terms of bonding. Even with these deductions the program would be beyond the bonding capacity. He suggested from a financial consultant's point of view that the storm drainage could be removed from the bonding program by the formation of a storm sewer district. The rest of the program would then be well within the bonding capacity. He said, however, that forming such a district might not be desirable from the City's point of view.

Mr. Davison said he was not suggesting that sanitary sewers be handled by a special district because the sanitary system is not self supporting which it would have to be under a district. Present rates are exceedingly nominal and would require a drastic increase to go to revenue bonds. He felt this was not desirable.

Mr. Davison then suggested that consideration be given to financing the water system by use of revenue bonds. The water system would have no difficulty in carrying the bonds and additional revenue from water could go into the general fund. He recommended leaving out the industrial wastes program and not funding it at this time, but when needed, it could be done on a revenue bond basis. He felt it could be deferred a couple of years. He presented figures showing the water system program being supported on a pay-as-you-go basis and the \$500,000 in the Capital Outlay Reserve Fund being contributed to the public safety building. However, he recommended that the water system be covered by revenue bonds rather than on pay-as-you-go.

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In recapitulating, Mr. Davison said financially the most desirable course would be to form a special district for the storm drainage system and the next best would be to use revenue bonds for the water system. He said there should be some increase in rates, but that the system is in such good shape that interest-wise, the revenue bonds would be close to general obligation bonds. After the revenue bonds are met, the revenue from the water system could go into the general fund. By using present money for the public safety building and deferring the industrial sewer project, the City could have a workable program. He said he wished to mention in passing that the public safety building could be financed by lease-purchase, but he did not favor this method and had not pursued this line of financing.

There was some discussion concerning some cities having the problem of going beyond their bonding capacity. Mr. Davison stated that some cities have doubled their assessments in order to double their bonding capacity. He said he would not want to advocate any program which would get the city into dire straights.

In discussing the possibility of forming a district for storm sewers, (which would probably include land outside the city limits) it was brought out there was a time element involved in getting people to understand the necessity for forming the district, getting property owners to agree to its formation, holding a public hearing, and getting concurrence of the County Board of Supervisors. Councilman Walton felt there would be problems in having such a district and that since the Council would be controlling the district, the owners of property outside the city would not be represented. Mr. Davison said that from a technical standpoint formation of the district provided a solution to financing the storm drainage program so as not to go beyond the City's bonding capacity. As he stated before, the other alternate he recommended was to go to revenue bonds for the water system. The only other alternate would be to reduce the capital outlay program.

In conclusion Mr. Davison stated that the City needed to add to its income by increasing its water rates and sewer service charges immediately, whether the City built anything or not. Councilman Culbertson agreed the sewer system does not pay its own way, but if the City goes to revenue bonds for its water system, the funds therefrom will have to go for the bonds. Mr. Davison replied that the water system was operating at a surplus now. He reiterated that the City should not be bonded to its full capacity, but should have some cushion in the event that adjustments in charges or in the program are desirable.

City Manager Graves said he was likewise disturbed by lack of any alternative in the event of too big a program and had searched for ways to reduce the program. He stated that the sewer plant and outfall line has to be taken care of, the public safety building has to be done at one time and the City would not gain by deferring this project. On the other hand, the storm drains, sanitary sewer mains, water lines and industrial waste lines are more flexible since the programs are based on anticipated development needs. He suggested the Council should give consideration to cutting back on the drainage program for the present. Reducing the bond issue by reducing the storm drainage program, dropping the industrial waste lines and providing for the water system by increasing its revenue and putting it on a

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pay-as-you-go basis, would put the City under its bonding capacity. This would be cutting the bonding program from five to two years for drainage and sewer mains. He favored this method rather than forming an assessment district or going to revenue bonds. Councilman Culbertson objected to planning for a two-year period. Mr. Graves said that after two years, the people who were interested in expanding could help pay, but that if the Council went for a five-year program, it would be necessary to go to revenue bonds or form a special district. City Attorney Mullen said that if the City followed the City Manager's recommendation and deferred part of the storm drainage program, then the people who wanted the facilities could form the district. Mr. Davison said that deferring the last three years of the storm drainage program would be a tremendous help. He said if the City would figure for the first two years on the storm drainage, remove the industrial waste program, went to revenue bonds for the water system and general obligation bonds for the balance of the program, and kept the \$500,000 in the Capital Outlay Reserve, the program would be pretty good.

In discussing pay-as-you-go for the water system, Mr. Davison said that he would hesitate to use that means of financing an item of this size when the City has other large items to take care of. He felt that it would be easier to take care of deferred items on pay-as-you-go. He said it was worth more to have a surplus than a declining proposition.

Mr. Graves said he would like an indication from the Council on which way they wished to go as it will be necessary to have the material ready by the April 7 meeting if the Council intends to have a bond election by June 8. He recommended that the election be held on this date since it would be prior to summer when people may lose interest or have their interest divided and in the fall Delta College may be having an election as well as it being time for the grape festival and grape season.

Mr. Davison said that the Council had not shown much interest in forming a special district for the storm drainage and that he could present new figures by Friday, April 2, reducing the storm drainage program to two years, eliminating the industrial wastes program and figuring the water program covered by revenue bonds. The Council would then have an opportunity to study his figures over the weekend. Councilman Dow said he would like to see figures including and excluding the industrial wastes. Mr. Graves said the City could have reserve funds so that if it was important to proceed with the industrial wastes program, it could be done.

Dr. W. G. Fessler, 804 West Lodi Avenue, inquired about the interest rates on general obligation and revenue bonds and Mr. Davison said the rates would be around 3 3/4% on general obligation bonds and 4% on revenue bonds. Dr. Fessler said he thought the City Manager's recommendation was good. Mr. C. L. Jones, 900 Victor Road, said he would like to have copies of Mr. Davison's figures.

Councilman Kirsten asked why go to revenue bonds instead of to the limit on general obligation bonds. Mr. Davison said that unforeseen needs cannot be anticipated and that if the City is up to its limit on general obligation bonds, it affects the interest rate on the bonds.

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He said there was nothing wrong with revenue bonds and on the water system they would be almost as good as general obligation bonds. He said that revenue bonds have first call on the revenue, but in selling the bonds it could be put in the covenant that revenue in excess of that required could go into the general fund. Councilman Dow moved that Mr. Davison refine his studies and base them on a two-year program, providing for revenue bonds for the water system and deleting the fire station, fire equipment and recreation facilities as recommended. The motion was seconded by Councilman Walton and carried with Councilman Culbertson voting no and explaining that he was opposed to planning for only two years on the storm drainage, that it would double the City's problem.

Mr. Graves said that for the purpose of figures, it is expected that the sanitary sewer charges and water rates will be doubled and that the tax rate will remain 40¢ above the \$1.00 rate. The Council was agreed that the 40¢ imposed last year was not only for one year, but should be continued. Councilman Walton said he was not convinced that the bond election should be held as soon as the City Manager suggested. His feeling was that it might not pass now, that there is not sufficient time to organize and sell the people, and the end of the summer might be more feasible.

LEASE OF  
WASTE  
DISPOSAL  
SITE

City Attorney Mullen explained that as authorized by the City Council at its previous meeting, a lease had been negotiated with Mr. Pete Kooyman for lease of the City's wastes site in the vicinity of Thornton Road, including the 130 acres being purchased from Mr. Kooyman. The lease is from April 1, 1965 to December 31, 1970. On motion of Councilman Dow, Culbertson, <sup>et al</sup> the City Council approved the lease and authorized its execution on behalf of the City by the City Manager.

EMPLOYEES'  
MEDICAL  
INSURANCE

Mr. Graves explained that the City's health insurance has been such that the City's carrier finds it necessary to raise the rates. The company had a 61% loss on the City's coverage the second year and since that time the loss has increased. This year to date the loss has been 127%, compared to 82% at which the company considers it breaks even. The employees have considered the raise in rates and there have been no protests. The old rate on the employees was \$8.36 and the new rate will be \$10.97. For dependents the rate was \$11.52 which is being increased to \$14.32. Councilman Kirsten moved that the new rates be approved. His motion was seconded by Councilman Walton and carried.

PENSION  
SYSTEM  
ACTUARIAL  
SURVEY

Concerning the recommendation of the Pension Board that the State be asked to conduct an actuarial survey of the City's retirement system, Mr. Graves gave the following background. In 1951 when the local system was put into effect, there was not too much difference between it and the State system. Since that time the State system has changed giving the members more benefits. The State system is much more liberal where police and firemen are concerned. The City system is deficient, but it would be too involved for the City to attempt to improve the system. The employees have shown an interest in entering the State retirement system and their committee has met with the Pension Board, informing the Board of their thinking. The cost of an actuarial survey would be between \$700-\$300. Councilman Dow, who is the Council representative on the Pension Board, said the Board would like at least to give the State system

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some consideration, and need the survey in order to have figures on which to base their study. Councilman Walton moved that the City Manager be authorized to make arrangements with the State for the actuarial study of the Lodi Retirement System. The motion was seconded by Councilman Dow. Mr. A. C. Heckenlaible, retired Director of Public Works, asked that consideration be given to inclusion of retired employees in the survey. The motion passed by unanimous vote.

#### CLAIMS

Claims in the amount of \$84,638.32 were approved on motion of Councilman Walton, Dow second.

#### STATE LEGISLATIVE SESSION

City Manager Graves stated that in the past the City Council has given the Manager authority to represent the Council's views to the State legislators and various State legislative committees, based upon broad statement of policy. This policy in effect is to preserve municipal home rule, avoid unnecessary financial obligations to the City, facilitate the orderly development of the City under local control, and protect the City's utilities from unfair legislation. He said he was sending members of the Council copies of the League legislative bulletins so that if there were any bills on which they wished to give the Manager specific instructions, they could do so. Councilman Dow moved that the City Manager act as in the past in notifying legislators concerning bills which would affect the City's policy on home rule, etc. The motion was seconded by Councilman Walton, and carried unanimously.

Councilman Dow referred to A. B. 734 relating to the establishment of minimum salaries for city councilmen. He felt that most councilmen received very nominal salaries which discourages people with ability from going into community leadership. Councilman Culbertson said that the League of California Cities Board of Directors opposed the bill as violating home rule. Councilman Kirsten stated home rule was important and if the Council is concerned about councilmen's salaries, it should go to the people. Councilman Kirsten then moved that the City Manager register the City's opposition to A. B. 734 by contacting the proper legislators. His motion was seconded by Councilman Walton and carried by the following vote:

Ayes: Councilmen - CULBERTSON, KIRSTEN, WALTON  
and BROWN

Noes: Councilmen - DOW

Mr. Graves then mentioned S.C.A. 17 which would make the telephone company subject to a franchise payment to cities similar to that required of other privately owned utilities. Mr. George Creighton, local manager of the Pacific Telephone and Telegraph Company, addressed the Council concerning his company's opposition to the bill. He pointed out that taxes imposed on utilities are ultimately paid by the customers of the utilities and that telephone subscribers are already paying a greater state and local tax per capita than customers of electric and gas utilities. In addition, telephone customers are paying a 10% Federal excise tax on exchange and long distance service. He also read a statement to the effect that the State has granted a state-wide franchise to telephone companies and the State Supreme Court has ruled that telephone companies are not required to obtain a local franchise to construct and maintain lines in the streets. He felt that

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a disproportionate amount of taxes is being paid by telephone customers and therefore this constitutional amendment should be defeated. Councilman Kirsten stated that after discussing the matter at a recent meeting, he agreed with the League of California Cities that a franchise tax on telephone companies would be equitable. Councilman Kirsten then moved that the City of Lodi go on record as approving S. C. A. 17 imposing a franchise tax on telephone companies. His motion was seconded by Councilman Culbertson and carried by the following vote:

Ayes: Councilmen - CULBERTSON, KIRSTEN and BROWN

Noes: Councilmen - DOW and WALTON

CITIZENS'  
COMMITTEE


Mayor Brown said he had received a letter from the Lodi District Chamber of Commerce stating the Chamber would form a citizens' committee in support of a bond issue.

JAPANESE  
GARDEN  
DEDICATION

Mayor Brown informed the Council that the Japanese Garden in Micke Grove would be dedicated at 2 p.m. of April 10.

ADJOURNMENT

There being no further business, the Council adjourned at 11:50 p.m.

  
Attest: BEATRICE GARIBALDI  
City Clerk